

oklahoma's 

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**EDGE**

economic development generating excellence



**ACTION PLAN**  

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**2004**

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# International Times & Tribune

JANUARY 9, 2014

## OKLAHOMA'S COMPETITIVE "EDGE" THE ENVY OF THE WORLD

**Oklahoma** — As thousands of the world's leading health science researchers, executives and venture capitalists crowded into the exhibition halls of Oklahoma's seventh annual international Life Technology Conference — known as LifeTekCon VII — they were visibly awed. But few were aware of the remarkable set of circumstances that led to the repeated success of this world-class conference, which has become a symbol of the transformation Oklahoma has undergone in the past decade.

The sweeping changes to Oklahoma's economic landscape can be traced to an action-planning project begun by former Governor Brad Henry in 2003 called EDGE (Economic Development Generating Excellence). An unprecedented level of public involvement included more than 2,500 Oklahomans from all walks of life and produced a report that featured recommendations that have since revolutionized the state.

Aggressive public and private investment has established Oklahoma as the "Research Capital



of the Plains," the effects of which are being felt throughout the state and far beyond. Its robust economy, cutting-edge science and technology, and superior academic institutions keep Oklahoma's best resource — its people — in the state and attract the best and the brightest from outside Oklahoma as well.

Just 10 years ago, Oklahomans learned that the life expectancy of the state's population had begun to fall. As a result of EDGE, an increase in the tobacco tax and an aggressive education campaign helped curb the high rate of smoking, and tobacco tax revenue was used to provide many working families with health insurance for the first time.

The EDGE project also raised the standard of living and quality of life for all Oklahomans and brought meaningful reforms in tax laws and business regulations that allowed new companies to be envisioned, funded, developed and staffed within the state's borders.

As shuttles take conventioners to see successful business incubators hours away from the urban areas, one thing is clear: Oklahoma has found its competitive EDGE.



Dear Governor Henry:

January 9, 2004

It has been our honor to be involved with Oklahoma's EDGE with assistance from the Secretary of Commerce, Kathy Taylor, and the Chancellor of Higher Education, Paul Risser. We have been surprised, impressed, and, yes, somewhat overwhelmed during the last few months as we shared the responsibility to lead the process that has resulted in the EDGE action plan.

Now that we are at the end of the planning phase, we also share another feeling: great optimism. The timing of your charge to us could not have been better. While other states may have been content to simply try to survive through a nationwide economic downturn, the EDGE process has energized Oklahoma with a simple message: "Let's find a better way to do things, and let's find it now!" As the national economy shows signs of recovery, we have a plan in hand that will give us a tremendous head start.

We don't presume to suggest that we have all of the answers, but the thousands of Oklahomans who have contributed to the project have developed an action plan that is ambitious and visionary, yet practical. Our state has so much to brag about. Our people are hard working, dedicated and generous. In fact, Oklahoma was recently ranked fourth in the nation on the Catalogue of Philanthropy's Generosity Index. And, we offer a business environment that a leading corporate site location firm ranks third nationally in terms of being "pro-business."

Yes, our state also has its challenges, but we are energized, committed and ready to build a new economy based upon the EDGE blueprint.

This action plan is the result of the participation of literally thousands of Oklahomans who were involved in the steering committee, expert teams, public forums and online discussions. The public forums were particularly rewarding, involving nearly 2,400 people in 29 locations throughout the state. Much credit and appreciation goes to Oklahoma's public colleges and universities for organizing and hosting the sessions and to Leadership Oklahoma for providing valuable support and guidance.

As it probably should, the action plan will create debate. It is our hope, however, that the cooperative and bipartisan spirit that was evident at the creation of the steering committee and expert teams, and that permeated the public forums, will continue as we enter the implementation phase.

And finally, thank you for the honor you gave all of us by allowing us to work on EDGE. With your continued advocacy, we are confident that Oklahoma will take its rightful place as a leader in the global economy.

Sincerely,

Ken Levit

Dave Lopez

EDGE Steering Committee Co-chairs

#### EDGE STEERING COMMITTEE MEMBERS

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# Introduction

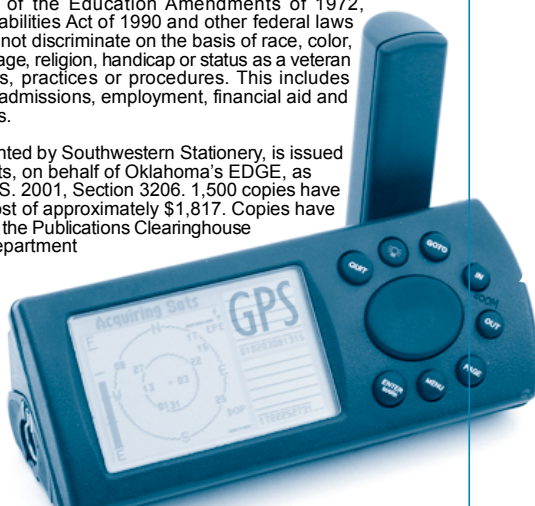
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**I**n the summer of 2003, Governor Brad Henry initiated the Economic Development Generating Excellence (EDGE) project. EDGE was designed to involve many Oklahomans with their ideas and to recommend a few targeted actions that would substantially strengthen our economy and quality of life.

Oklahoma's EDGE built on current and previous work undertaken by state leaders to energize economic development efforts at the local, regional and statewide levels. The project was guided by a governor-appointed Steering Committee and 23 teams of statewide experts from both the public and private sectors, all of whom provided leadership and strategic recommendations for directing Oklahoma's economic future.

Regional public forums were held on November 4, 2003, at 29 locations across the state. Nearly 2,400 business, education and community leaders met to share their reactions to the initial proposals. In addition, more than 12,200 visitor sessions have been recorded at [www.okedge.org](http://www.okedge.org), where individuals have participated in online discussions or submitted comments via e-mail. Throughout the EDGE project, about 15,000 Oklahomans have participated in the process that has led to these recommendations.

Throughout the state's history, Oklahomans have demonstrated a bold spirit, a generosity in helping each other and a quiet pride in its accomplishments. The three major EDGE recommendations follow in that Oklahoma tradition. Creating the "Research Capital of the Plains" and having the courage to dramatically update the state's pre-K through 20+ education system are bold ventures. Combining health care and the encouragement of healthy lifestyles represent another chapter in Oklahoman's tradition of looking after each other.

As powerful as these three recommendations are, they will not transform Oklahoma's economy alone. Thus, EDGE has recommended an additional number of smaller key steps Oklahoma must also take to reform and improve its business climate. These actions, taken together, will fundamentally change Oklahoma, moving us into the modern economy that is technology-driven, knowledge-based and global. In taking these actions Oklahoma will demonstrate the courage to encounter and transform a new frontier. As these three EDGE recommendations are implemented, and as the reform steps are put in place, Oklahoma will take newly found pride in its bold spirit, in its willingness to break new ground and in the comfort of sharing with one another the bounty of a great state.



# *Transform Oklahoma Into the Research Capital of the Plains*

## **ACTION**

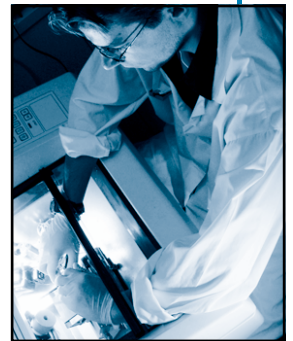
**Create an EDGE Endowment of \$1 billion to support research and the transfer of innovation and technology to the private sector. This strategic investment will transform Oklahoma into the “Research Capital of the Plains.” Research results supported by the EDGE Endowment will be directed toward innovation that will strengthen current Oklahoma businesses and create businesses that are likely to remain in the state.**

**T**he EDGE Endowment will transform Oklahoma into the “Research Capital of the Plains.” Investments from the \$1 billion endowment will fund all the key actions that will allow Oklahoma to become a center of powerful research that will support a vigorous economy—this is the single most important action that Oklahoma can take to thrust itself into a business leadership position. When fully funded, an endowment of \$1 billion could generate \$35 million to \$40 million per year. With that, Oklahoma will be able to:

- Commit significant matching funds to compete successfully for federally funded “centers of excellence” that produce jobs and create new businesses.
- Purchase equipment that provides researchers with the necessary competitive advantage to secure high-profile research projects that lead to commercially viable products.
- Build public and private sector facilities that provide researchers with the optimal environment in which to develop technological breakthroughs and to attract additional funding and other outstanding researchers.
- Create “centers of innovation” in our state, for example, agriculture product processing or energy extraction or sensor technology, to benefit Oklahoma industries.

• Invest capital to move innovations and inventions from the prototype stage to the level of maturity that will attract venture capitalists.

- Implement and manage sophisticated information services networks to give small and rural businesses access to the latest research results, technologies and market opportunities.
- Invest in start-up money to attract outstanding researchers to Oklahoma’s public colleges and universities and to public and private laboratories.
- Signal to the business world that Oklahoma understands the importance of research, innovation and technology transfer and is committed to transforming Oklahoma into a national leader.



The EDGE Endowment will achieve its full potential for increasing the state’s economy as Oklahoma’s public colleges and universities:

- Streamline and standardize the process of transferring technology, making it easier for private businesses of all sizes to capitalize on innovations and inventions produced by faculty, staff and students.
- Actively seek opportunities to collaborate for the specific purpose of producing innovations of benefit to the state.
- Work with their communities and the private sector to provide or facilitate capitalization, incubation and business support to nurture small local companies.
- Focus significant portions of their research programs and faculty hiring decisions on areas that will benefit Oklahoma’s economy.
- Recognize that producing commercially important products and creating new businesses are legitimate and important roles.



**I**deas, inventions and innovation create new businesses and increase the productivity of current businesses. Throughout the world, the strongest economies are driven by the research that generates innovation, which in turn is transferred to business and industry. These innovations create many new jobs in small businesses and in the service and technology sectors. This is particularly important in Oklahoma since 49 percent of the state's workforce is employed in small businesses, generating \$18.4 billion in income (Source: U.S. Small Business Administration).

Businesses that are not innovative and productive fail in the global economy, leaving workers without jobs. To ensure that jobs—especially higher-paying ones—are available to Oklahomans, we must produce and have first-hand access to research results that create this innovation.

Over the past decade, Oklahoma has made important progress in strengthening its research capability. The Presbyterian Research Foundation in Oklahoma City, with its connection to health and biotechnology, the National Weather Center in Norman, and the OSU Center for Sensors and Sensor Technologies are a few examples of how locally produced innovation can result in high-paying jobs.

With available matching funds leveraged by the endowment, further progress can be made throughout the state, including enhanced university-sponsored research in Tulsa in a variety of fields, including telecommunications, biomedicine and engineering.

Federal dollars to Oklahoma from such major funding sources as the National Institutes of Health and National Science Foundation have increased in recent years, but the state still ranks far too low in federally funded research and development. While the state has enormous potential in this area—particularly in the technology sectors, which are the source of most new jobs—it must take radical action to become a national leader in the kind of research that drives economic growth.

Economists routinely estimate that private laboratory and university research investments are returned three to 10 times, and the annual returns on research and development range from 5 percent to 40 percent. But the advantages to investing in research do not end there:



- New and expanding businesses are attracted to places with strong research communities because they have access to new ideas, innovative technologies and an environment that fosters creativity and entrepreneurial activity.
- Young professionals are attracted by colleagues in their own and related fields. Skilled workers find opportunities to work in jobs that make use of their knowledge, resulting in higher pay.
- Industry clusters, such as aerospace, agriculture, biotechnology and biomedicine, construction, energy, manufacturing, telecommunications and nanotechnology, all benefit from innovations in products and services and from the sharing of knowledge.
- Angel and venture capitalists focus on regions with strong research because they are likely to find investment opportunities that lead to new products and businesses. Indeed, it is not happenstance that virtually all regions of the United States with strong economies are associated with strong research universities.

The heritage industries of agriculture and energy remain the bedrock of our economy, while manufacturing, construction and military-related businesses provide thousands of jobs throughout the state. An emphasis on research does not diminish these important sectors. In fact, improvements in research will have significant positive impact on all parts of the economy, particularly the small businesses that will continue to play a vital part in our state's future in both rural and urban areas.

Establishing the \$1 billion EDGE endowment will be the largest and most ambitious project ever accomplished by the state of Oklahoma. Strong leadership from throughout the state will be required and multiple and innovative funding strategies must be exploited. The Governor and the Legislature, working with the private sector, should identify and implement the funding mechanisms. By December 31, 2004, the EDGE endowment should be designed and ready to implement. Complete implementation should include the schedule for achieving the \$1 billion investment, the description of who has oversight responsibilities, and the measures by which the citizens of Oklahoma will be able to judge its success.

# *Dramatically Update Oklahoma's Public Education System*

## **ACTION**

**Take those actions necessary to dramatically update Oklahoma's public education system so that students have the highest probability of succeeding in the technology-driven, knowledge-based global economy. The Governor should immediately appoint and charter a group of citizens and educational leaders to accomplish this work to be completed by December 31, 2004.**

**T**here is a very clear relationship between educational attainment and per capita income: More education results in better jobs. Better jobs mean better pay. Better pay means both workers and employers have more money for investing. Better paid workers and more successful businesses result in increased tax revenues so Oklahoma can offer a better quality life for all of its citizens.

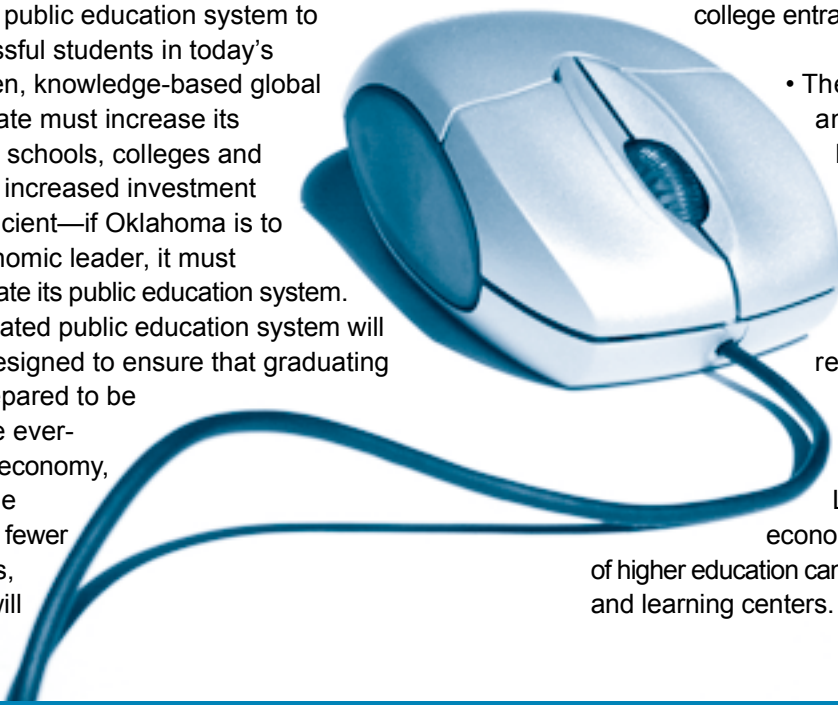
A highly educated workforce will be much more attractive to businesses considering relocating to Oklahoma and, even more importantly, will enable existing and new Oklahoma businesses to hire high-quality employees and be more productive. Therefore, Oklahoma should make creating and maintaining a highly educated workforce, beginning in the early childhood years and continuing through post-graduate and professional education, a high priority for the state. In addition to its public schools and colleges, Oklahoma's private colleges also play an important role in workforce development, and their close cooperation with public institutions is vital.

For Oklahoma's public education system to graduate successful students in today's technology-driven, knowledge-based global economy, the state must increase its investment in its schools, colleges and universities. But increased investment alone is not sufficient—if Oklahoma is to become an economic leader, it must dramatically update its public education system. Oklahoma's updated public education system will offer curricula designed to ensure that graduating students are prepared to be successful in the ever-changing global economy, beginning college students will take fewer remedial classes, more students will graduate from

high school and college, public funds will be spent so as to maximize student learning, and the citizens of Oklahoma will have access to clear measures of accountability for the state's primary, secondary and post-secondary schools.

To achieve this dramatically updated public education system, specific actions must be taken:

- The Legislature must consider one annual comprehensive and integrated budget recommendation for the financial needs of pre-K through 20+ public education, including early childhood, common schools, career technology and higher education.
- The State Department of Education and the State Regents for Higher Education must coordinate performance standards, admission policies, curricula and graduation requirements to increase the number of high school and college graduates in Oklahoma. This includes aligning the performance standards for student teachers, current teachers, high school graduation requirements, and college entrance and graduation requirements.
- The State Department of Education and the State Regents for Higher Education should work together to improve basic K-12 education, particularly in mathematics and science, and to reduce the proportion of college freshmen who are required to take college remedial classes.
- The State Regents for Higher Education should develop for the Legislature an effective and economical organizational configuration of higher education campuses, including branch campuses and learning centers.





- The existing task force working on consolidation of common school administration should complete its recommendations to be incorporated into this EDGE recommendation to update the state's public education system.
- The State Department of Education, the Department of Career and Technology Education and the State Regents for Higher Education should develop a plan for enabling career technology centers to most effectively contribute to the state's economic development.
- All components of the public education system should strengthen academic, skill-based job training, recognizing that workers frequently change jobs and professions and that new jobs are being created continually.
- The State Department of Education and the private sector should design and advocate a state-of-the-art early childhood education program to ensure that Oklahoma's children enter school with the social, cognitive, emotional and intellectual tools required to succeed.
- Oklahoma's public colleges and universities should offer a wider range of professional development options and continuing education courses that meet the needs of business and industry.



agencies and citizen boards, including school boards, school districts, college and university boards, and the State Regents for Higher Education, all of whom have specific responsibilities. This separation of responsibilities is designed to ensure that schools, colleges and universities meet the needs of their constituencies.

This dispersion of responsibilities, however, often inhibits coordination and does not foster comprehensive updating. The consequences of this fragmentation are especially critical now when the state's workforce is facing a rapidly

changing environment and when education is becoming a prerequisite for economic and social success. Most other states simply accept this educational fragmentation and the resulting difficulty in updating the entire education system. Thus, with increased coordination and focus, Oklahoma has a distinctive opportunity to gain a competitive advantage,

both for its citizens and for the state as a whole.

The disadvantages of this fragmentation can be overcome in Oklahoma without changing the constitutional or statutory authority vested in the components of the system. Although changes can be made within the current structure and without executive or legislative directive, strong leadership will be required throughout the entire public education system.

Many of the components of Oklahoma's pre-K through 20+ education system are very effective. Test scores from common education are improving, teachers are being recognized for their credentials and success, enrollment in colleges and universities is at an all-time high, and the career technology system provides important training for our workforce.

The state's education system does not require a drastic overhaul, and we have much to celebrate. However, as is the case in other states, Oklahoma's education system is fragmented. Oklahoma can become an educational leader by overcoming this fragmentation and updating its schools and colleges. There are numerous public jurisdictions, state

The changes described above should be made based on specific recommendations from a group of selected civic leaders and educational professionals. The Governor should appoint such a group with the charge to issue its recommendations to the Governor and Legislature by December 31, 2004. In completing its responsibilities, this group must carefully analyze the current conditions before making recommendations for alternative processes and/or structures. These analyses, comparisons and preliminary recommendations should be shared widely with the citizens of Oklahoma. The final recommendations will be made to the appropriate jurisdictions, including the Governor and Legislature, and to the multiple boards responsible to the state's public schools and colleges.

# Reverse Our State's Health Trends—Now

## ACTION

**Take a comprehensive approach to improve the health of Oklahomans by coordinating prevention and care. The Legislature should increase the tobacco tax by at least 50 cents per pack and use the money to help pay for a comprehensive cancer center and expand availability to health insurance.**

**The Legislature should design programs and provide tax incentives to businesses for establishing or continuing wellness programs that reduce health costs and boost employee productivity.**

**P**ersonal health—from wellness, to access, to care—is integral to the economic well-being of a community. Oklahoma has a number of significant challenges including alarming rates of obesity, tobacco usage, type II diabetes and high numbers of medically uninsured. If our state is to be economically successful, we must make better health a top priority for all Oklahomans—whether they live in urban or rural areas. To achieve this goal, the state must take a comprehensive and coordinated approach toward preventing poor health and providing health care when it is needed, ranging from preventative effort such as wellness programs to an adequately funded trauma system to treat those who need urgent care.

## *The Need to Reduce Smoking*

As the state's leading preventable cause of death, smoking kills more people than alcohol, illegal drugs, car accidents, suicide, homicide and AIDS combined. Oklahoma has the third highest tobacco consumption rate per capita in the nation. According to the Oklahoma Department of Health, 42 percent of adults and 21 percent of children use tobacco during a single year. These percentages are 5 to 6 percentage points higher than the national average. Oklahoma has the 11th-highest smoking-related death rate in the nation, and the life expectancy of the state's smokers is 14 years less than that of non-smokers.

Demand can be decreased by increasing the cigarette tax and increasing fines for underage tobacco sales and underage tobacco users. Oklahoma's tax on a pack of cigarettes is currently 23 cents, which is significantly less than the regional and national average, and should be raised by at least 50 cents.

Increasing the tobacco tax would decrease the demand and raise revenue for both treatment and prevention.

- The push to create a comprehensive cancer center in Oklahoma is linked to the effort to reduce smoking and enhance health since the center will provide cancer treatment to people throughout the state, treatment that otherwise would not be available absent driving several hundred miles to another state. Yet the cancer center is also a key part of building a research and innovation infrastructure in Oklahoma since the comprehensive cancer center is planned to promote cutting-edge biomedical research in both the Oklahoma City and Tulsa areas.



Moreover, as discussed below, a significant share of the tobacco tax revenue could be matched and enhanced through the federal Medicaid formula so that the underinsured in Oklahoma could get better access to high quality health care.

## *Expanding Health Insurance Coverage*

Oklahoma's percentage of uninsured citizens is among the highest in the country, and its percentage of reimbursement rates for health care providers is among the lowest. About one-third of all Oklahomans who receive health care are uninsured or Medicaid recipients. The care they receive is well below cost from the state's health care providers, and some of the financial burden is translated into higher premium costs and smaller numbers of insured citizens.

Oklahoma could potentially leverage additional federal Medicaid matching funds and other funding sources by using

a portion of the new state tobacco tax revenue and utilizing a health care provider assessment agreed to by the state's health care providers. Once matched under the federal Medicaid program, these additional dollars – which could add up to several hundred million per year – could fund (1) premium assistance for qualified working families to enable them and their employers to purchase basic health care coverage and (2) a rate adjustment to serve as an incentive to doctors to provide care to qualified persons.

To encourage responsibility on the part of qualified families seeking basic health care coverage, the state should require all such families to pay a premium based on a sliding scale determined by the ability to pay. Coverage should be optional to these families in the event they are eligible for Medicaid coverage.

## Emphasizing Wellness

Oklahoma offers many incentives for employers and is considered by many professionals to be one of the top “pro-business” states in the nation. In numerous instances, employer-sponsored wellness programs have been shown to decrease disability days, disability per capita costs, annual medical costs and workers’ compensation costs. During the 2004 session, the Legislature should design programs and provide tax incentives to businesses for establishing or continuing wellness programs that reduce health costs and boost employee productivity. Reducing health care costs will help Oklahoma because existing and prospective employers closely examine health care costs when considering expansion and relocation.

## Immediately Reform and Improve Our Business Climate

**I**mplementing the above three major recommendations will have a huge positive impact on Oklahoma. But, to be economically successful and to provide a high quality of life for its citizens, Oklahoma must make additional fundamental changes to keep and create jobs. Without these changes Oklahoma will not be as successful in an environment where technology drives business, where knowledge workers make businesses profitable, and where goods and services are produced and consumed globally. The EDGE process, with its thousands of participants, is very clear about the need for statewide leaders to take these steps.

Throughout the EDGE process, Oklahomans recommended more than 350 actions that could be taken to improve the economic conditions in the state. The following are the highest priority and must be taken if Oklahoma is to keep jobs in the state and to create more jobs.

### Tort Reform

A comprehensive review of tort reform is needed immediately. The need for action on tort reform is imperative to reduce business costs while protecting the fundamental legal rights of our citizens. Example reforms could include:

- Changing the joint and several liability doctrine to tie a

defendant's responsibility more closely to the percentage of damage which he or she actually caused—especially in those industries where injured parties are likely to recover full damages through insurance.

- Changing the collateral source rule so that juries will know if a plaintiff recovers damages from other parties unless a right of subrogation exists.
- Requiring expert certification before any product liability lawsuit can be filed.
- Investigating class action reforms that improve the balance of costs and benefits within the system, such as requiring class member notification about the purposes, progress, and likely outcomes of the litigation, and monitoring the distribution of compensation funds.

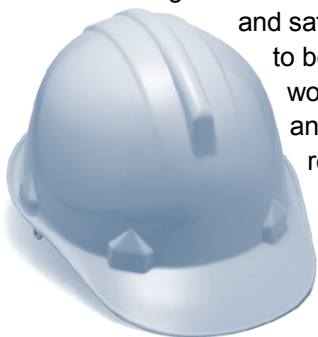


Progressive actions should be pursued through an intense study led by the Governor and involving legislative leadership of both parties, business representatives and labor leaders with the expectation of considering the resulting recommendations in the 2004 legislative session.



## *Workers' Compensation*

The Governor should appoint a group of experts to make recommendations on changes in workers' compensation that will meet the specific needs of Oklahoma, with these recommendations to be considered in the 2004 legislative session. Workers' compensation costs are driven heavily by utilization rates and health care costs (discussed above). Therefore, a central component of workers' compensation reform should include specific proposals to reduce the permanent partial disability incidence and lower costs, while increasing benefits to injured employees. Worker training and safety education programs have proven to be extremely effective in reducing workplace injuries, compensation claims and costs. Tax incentives, premium rebate programs or other policies should be considered to encourage employers to create worker training and safety education programs.



## *Regional Economic Development Partnerships*

It is recommended that the Oklahoma Department of Commerce formalize and initially fund new regional economic development partnerships, based on regional economies and resources, that provide the best opportunity for Oklahoma to respond competitively to market forces. The Department of Commerce, with legislative support, should provide leadership to develop regional economic development partnerships with local chambers of commerce, the State Chamber and other community economic development organizations. Regional economic development is crucial to ensuring that all of Oklahoma thrives because this work:

- Unifies efforts to benefit urban, suburban and rural constituencies.
- Leverages expertise, often clustered in metropolitan areas, for regional impact.
- Streamlines contacts with prospects (rather than multiple communities providing prospects with dissimilar data).
- Increases efficiency of public and private expenditures by pooling resources for centralized data collection and communication.

## *Oklahoma's Military Bases*

The state should work with the Oklahoma Strategic Military Planning Commission and each of Oklahoma's five military communities in addressing the 2005 Base Realignment and Closure activity to ensure the continuation and expansion of Oklahoma's military bases and the economic systems associated with them.

## *Oklahoma's Industry Clusters*

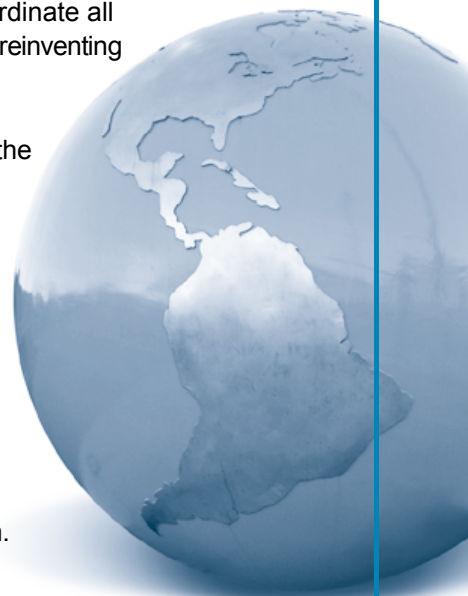
Oklahoma's Department of Commerce should facilitate the enhancement of industry clusters identified through the EDGE process. Industry clusters, including their supply chains and shared workforce, will benefit from legislative and executive actions that are industry specific to ensure that our companies and businesses thrive in today's global economy.

## *Regulatory Policy*

The Governor, working with the Legislature, should take action to streamline Oklahoma's regulatory policies. Regulatory policies are designed to guide and manage the state's economic, social and environmental values and resources. Because policies are usually created over time, and because conditions change, the state should periodically review the effectiveness of its regulatory policies and ensure that they are not contradictory or unnecessarily burdensome.

## *International Trade*

The state should develop a focused international trade and investment approach to coordinate all resources. This could include reinventing and retooling the Oklahoma Department of Commerce's foreign offices representing the state and increasing the emphasis on promoting Oklahoma as a destination for international tourism. In addition, Oklahoma's global reputation could benefit greatly by establishing an annual national and international small and independent business networking and policy forum.



## Weather Industry

Based on more than \$500 million in federal investments over the past four decades and significant state investments, Oklahoma should develop a "best in the world" weather

industry. The public and private sectors should work with the Legislature in targeting funds to make the National Weather Center the best in the world, expand the involvement of existing Oklahoma corporations in weather-related activities and create new companies with high-paying jobs.



## Oklahoma Center for the Advancement of Science and Technology

To continue the immediate returns to private industry and the transfer of technology to the private sector, the state should increase its financial support for the Oklahoma Center for the Advancement of Science and Technology and its Oklahoma Technology Commercialization Center. The Oklahoma Center for the Advancement of Science and Technology (OCAST) already has an established track record of providing strong economic dividends, and the Oklahoma Technology Commercialization Center (OTCC) has great potential to build an investment pool to support start-up businesses that are commercializing new technologies.

## Endowed Chairs Program

The Endowed Chairs program has been a significant success, attracting high-quality faculty to Oklahoma's public colleges and universities. This success has been the result of generous contributions by numerous organizations and individuals who understand the power of the program and have been willing to invest in it. The program requires that the State Regents for Higher Education match these private contributions from legislative appropriations. Insufficient money has been available, and currently, approximately \$45 million in private gifts cannot be matched. The Governor should urge the Legislature to permit the State Regents for Higher Education to acquire sufficient debt to immediately pay off the backlog of endowed chairs, repaying the debt over a period of years. In addition, the State Regents should be encouraged to restructure the Endowed Chairs Program to include a focus on national and international "all stars" that will attract world-class research and teaching programs to Oklahoma.

## Tax Policy

The Legislature should revise specific taxes to encourage the creation of jobs and wealth by:

- Extending the Small Business Capital Formation Act and Rural Capital Formation Act to seven years and increasing the tax benefits to 40 percent for urban small businesses and 60 percent for rural businesses.
- Passing a constitutional amendment to Article X, Section 6C, that would clarify tax increment financing (TIF) so that revenue streams may be dedicated for more than one year to projects in TIF districts and related project areas.
- Continuing to reduce the state estate tax. In 1998, the Legislature and Governor Frank Keating approved legislation that implemented annual reductions in the estate levy. For example, the current state tax exemption of \$850,000 will rise to \$1 million in 2006. Policy makers should continue to monitor the tax exemption, particularly in light of recent federal changes, and consider additional reductions in the future.
- Reducing capital gains tax by implementing differential treatment for capital gains attributable to the sale or initial public offering of a business interest, and by incrementally reducing the top rate for net capital gains taxes from 7 percent to no more than 2.35 percent. Oklahoma's current tax system treats capital gains as ordinary income. High capital gains tax rates can discourage saving and investment, raise the cost of capital for new investment, encourage capital flight and slow economic growth.
- Reducing taxes on lump sum retirement payments to individuals. Oklahoma's current system of taxation on retirement benefits has the unintended consequence of encouraging some of the state's most talented people as well as employers to relocate to avoid taxation. This, in turn, deprives the state of talent and wealth that might otherwise remain in our state.
- Putting in place a system to quantify the costs and benefits of existing incentives and tax credits. The state should systematically quantify the costs and benefits of all current and proposed business incentives and tax credits to determine whether they effectively encourage the type of business behavior they seek to stimulate.

- Ensuring that future tax credits and incentives concentrate on knowledge-based businesses and are tied to higher-paying jobs. Oklahoma cannot afford to offer tax credits and incentives that do not increase the net benefits to the state and its citizens.
- Creating a revolving source of revenue to service bonds over a longer period of time and identifying specific projects in a more flexible manner. Currently, the mechanisms for bonding projects are slow and cumbersome, thus significantly reducing the state's flexibility.

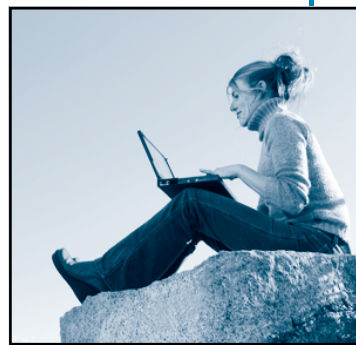
## Quality of Life

The state should take a number of actions to retain and attract members of the “creative class” and promote the cultural values of Oklahoma, including:

- Coordinate a “One Night in Oklahoma” event when people from around the state would gather for concurrent

dinners in private homes to discuss and take actions to improve the quality of life in their communities.

- Expand *Oklahoma Today* magazine into an interactive, online current information source for statewide events and activities.
- Conduct research to identify the living and working preferences of young professionals.
- Initiate recruiting campaigns to attract college graduates and members of the “creative class” to Oklahoma, especially native sons and daughters who might return.
- Consider tax exemptions, partially forgiving student loans, or other incentives to retain graduating Oklahomans with advanced college degrees.



## A Final Word on Revenues and Expenses

Upon implementing these EDGE recommendations, Oklahoma will rapidly become known as one of the most progressive states in the country. Our state will be positioned to produce more and better paying jobs and to offer a higher quality of life to its citizens. However, implementing these recommendations will require very significant resources and investments. The proposed tobacco tax will pay the cost of the health care initiatives but will not generate sufficient revenue to finance other EDGE proposals. Over time, the anticipated economic growth should provide more wealth to Oklahoma citizens, businesses and state government, but the initial investments must be made before these benefits can be realized.

The EDGE recommendations represent a new frontier for Oklahoma only because they are cumulatively so large and because they offer the opportunity to act on several related issues at the same time. Throughout Oklahoma's history are many examples of Oklahomans taking decisive actions to make public investments that have changed the fate of

their communities. The MAPS initiative in Oklahoma City and VISION 2025 in Tulsa are large examples, but countless other smaller communities have also taken such actions where there are clear objectives tied to specific actions.

State political leaders of both parties have the ultimate expertise and responsibility to identify the appropriate mechanisms to fund the entire agenda. Throughout the EDGE process, thousands of Oklahomans urged that their state leaders take action. These same citizens recommended hundreds of novel and innovative actions. They will expect the leadership of the state to be equally creative as it identifies the needed money to implement the EDGE recommendations.

Oklahoma has an exciting and colorful history, made largely by leaders who acted to advance the state under the circumstances of the time. EDGE represents one of those key moments in the story of Oklahoma, and an exciting new chapter lies before us.



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### *Special Thanks from the EDGE Co-Chairs*

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